

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF TENNESSEE**

<b>IN RE:</b>	*	
<b>NEOPHARMA, INC.,</b>	*	<b>CASE NO.: 2:20-bk-52015-SDR</b>
	*	<b>Chapter 11</b>
<b>Debtor;</b>	*	
<hr/>	*	
<b>IN RE:</b>	*	
<b>NEOPHARMA TENNESSEE LLC,</b>	*	
	*	<b>CASE NO.: 2:20-bk-52016-SDR</b>
<b>Debtor.</b>	*	<b>Jointly Administered</b>

**DECLARATION OF DAVID ARGYLE**

**STATE OF TENNESSEE:**  
**COUNTY OF SULLIVAN:**

Pursuant to 28 U.S.C. § 1746, I hereby declare as follows:

1. My name is David Argyle. I have personal knowledge of all facts stated in this Declaration, and if called to testify, I could and would testify competently thereto.

2. I am currently the Chief Restructuring Officer of Neopharma, Inc. and Neopharma Tennessee LLC. I am also the sole member of the Board of Directors of Neopharma, Inc. Neopharma, Inc. is a Delaware corporation, and is the sole member of Neopharma Tennessee LLC. Neopharma Tennessee LLC is a Delaware limited liability company. On July 24, 2020, Canadian Pharma International, Ltd., a United Kingdom company ("CPIL"), acquired all the issued and outstanding stock of Neopharma, Inc. from Neopharma International Holding, Ltd., which at the time of the transaction was the sole shareholder of Neopharma, Inc. As a result of this transaction, CPIL became the sole shareholder of Neopharma, Inc.

3. On December 22, 2020, Neopharma, Inc. and Neopharma Tennessee LLC filed voluntary chapter 11 petition in bankruptcy.

4. Shortly after the closing of the July 24, 2020 transaction, I was requested to go to Bristol, Tennessee as the agent of CPIL to evaluate the status of Neopharma's Bristol Tennessee facility. At that time, I was aware that the prior owners of Neopharma, Dr. B.R. Shetty, Neopharma International Holding, Ltd. and Neopharma, LLC were no longer in a position to fund the Bristol, Tennessee facilities, due to worldwide financial and legal matters.

5. In July 30, 2020, Mallikarjuna R. Desireddy, Neopharma, Inc.'s prior CEO, was terminated for cause.

6. Upon arriving at the Bristol, Tennessee facility, I began working with the former facilities site director and quality director in investigating various matters and issues facing the companies at that time. We discovered a number of irregularities in the previous management at the corporate level of Neopharma, Inc., including acts of apparent misfeasance and malfeasance. Examples of this conduct is set forth in Neopharma, Inc. and Neopharma Tennessee LLC's motion to (a) approve the sale of substantially all of the debtors' assets free and clear of all liens, claims, encumbrances and other interests, (b) approve the assumption and assignment of facility lease and tax agreement, and (c) authorizing the rejection of certain executory contracts and unexpired leases (the "Sale Motion") which was filed on January 7, 2021. Unfortunately, due to the absence of records that have been withheld by prior management, Neopharma, Inc. has been unable to complete its investigation of these irregularities. Neopharma, Inc. anticipates utilizing the bankruptcy reorganization process to continue its investigation into prior management and seek the recovery of any unauthorized or avoidable transfers of money or property.

7. Neopharma, Inc., has for the most part, liquidated the available inventory and receivables that could generate any cash for the company. Neopharma, Inc. currently has no cash to fund its limited operations.

8. In November of 2020, I along with other CPIL representatives negotiated a term sheet with Constitutional Antibiotics, Inc. to form a joint venture to acquire the assets of Neopharma, Inc. and Neopharma Tennessee LLC. For a variety of reasons, the parties' negotiations ceased. I then negotiated with other investors and proceed to form American Antibiotics Initiative, Inc. It is seeking to purchase the assets Neopharma, Inc. and Neopharma Tennessee LLC in accordance with an asset purchase agreement that is described in detail in the Sale Motion that is currently before the Court.

9. Prior to entering the negotiations with Constitutional Antibiotics, Inc. and then with potential investors in American Antibiotics Initiative, Inc., I investigated multiple other sources of potential financing for Neopharma, Inc. But, given the legal and financial problems facing Dr. Shetty and the financial irregularities discovered with prior management of Neopharma, Inc., conventional form of financing was not a viable alternative.

10. There are a number of reasons for Neopharma, Inc.'s inability to obtain conventional financing. The first is that its manufacturing operations have ceased and there is no current ability to generate cash. Although the manufacturing plant, equipment and land owned by Neopharma Tennessee LLC have substantial value on paper, such values are greatly reduced without an operating company or without a company generating cash from its manufacturing facilities. Second, the international legal and financial problems experienced by Dr. B.R. Shetty and his affiliate companies would create substantial difficulties with any lending institution. Also, Dr. Shetty has caused filings to be made in the bankruptcy cases where he challenges the current board of directors and management of Neopharma, Inc. to file these bankruptcy cases, even though Dr. Shetty signed the purchase agreement on behalf of Neopharma International Holding, Ltd. conveying the


Neopharma, Inc stock to CPIL. In my experience, traditional lenders would not extend credit to Neopharma, Inc. especially after a bankruptcy filing, with issues of ownership and control in dispute.

11. I have reviewed and approved Neopharma, Inc.'s motion to obtain post-petition financing. The facts set forth therein are true and correct to the best of my knowledge, information and belief.

12. American Antibiotics Initiative, Inc. is the only source currently available to finance Neopharma, Inc. and Neopharma Tennessee LLC's limited operating expenses pending the Court's consideration of the Sale Motion. Without the interim funding requested in the motion for post-petition financing to pay Bristol Tennessee Essential Services as proposed and the electricity to the Bristol facility is discontinued, the debtor companies will not be in a position to complete the proposed asset sale or continue reorganization efforts.

13. I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

Executed this 11 day of January, 2021.

  
\_\_\_\_\_  
DAVID ARGYLE

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that on 12<sup>th</sup> day of January, 2021 the **Declaration of David Argyle** was filed electronically. On January 12, 2021, copies of the foregoing were forwarded to the following by operation of the Court's electronic filing system:

Tiffany Dilorio, Esq.  
Trial Attorney, U.S. Dept of Justice  
Office of United States Trustee

Maurice K. Guinn on behalf of Interested  
Party Neopharma, Inc.

On January 12, 2021, the following parties were served with copies of the foregoing by electronic mail as referenced below.

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On January 12, 2021, all parties listed on the attached Service List were served by mailing a copy of same by United States Mail, postage prepaid as referenced below.

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/s/ Mark S. Dessauer  
Mark S. Dessauer

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